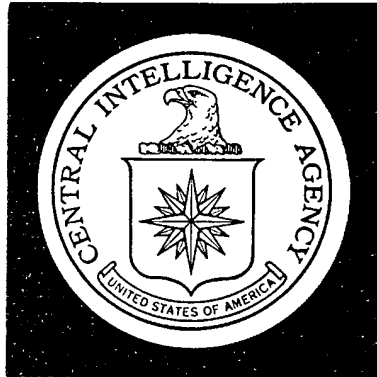


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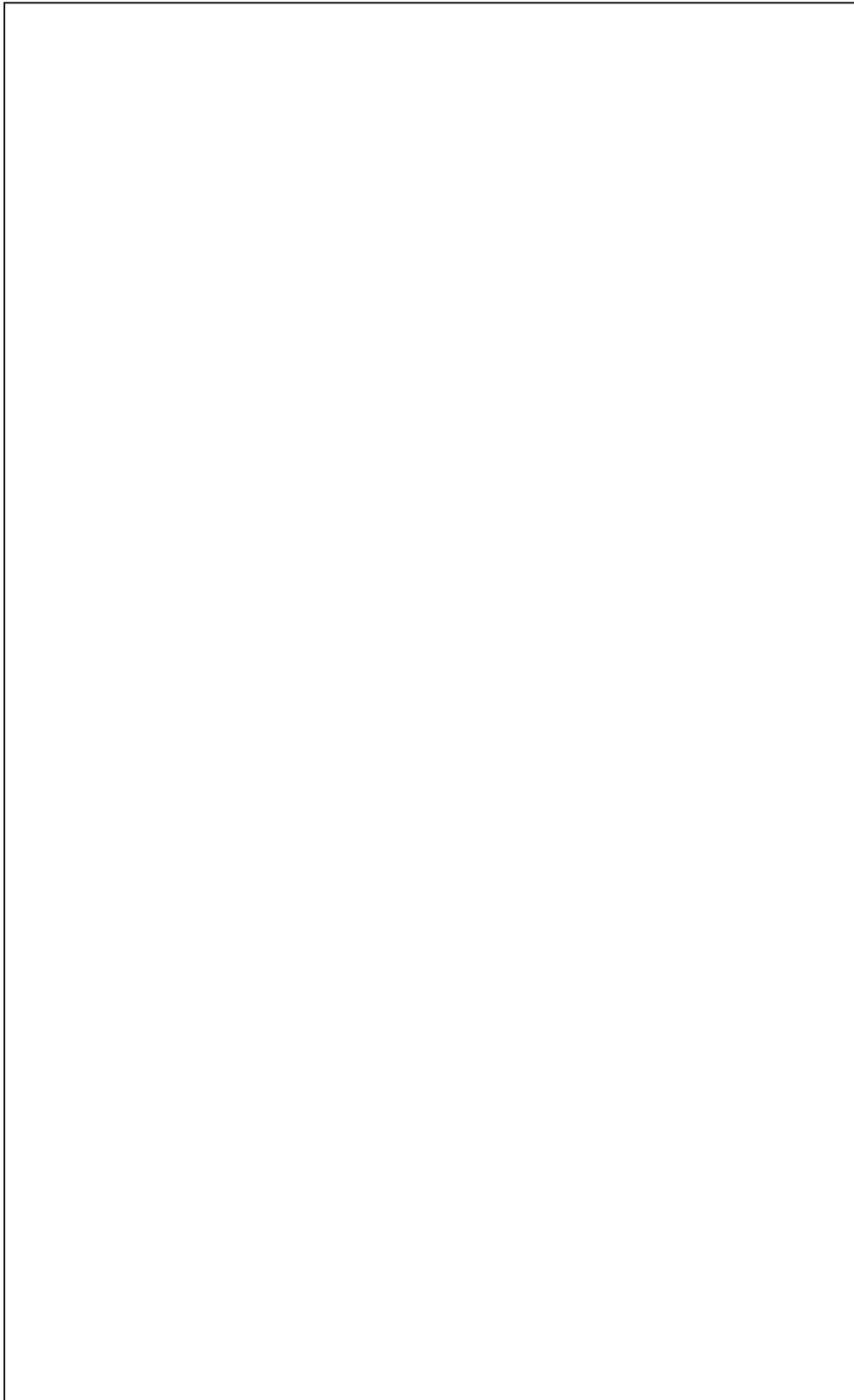
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Vietnam:

South Vietnam: Hanoi is beginning intensive preparations to celebrate a number of important party and state anniversaries next year.

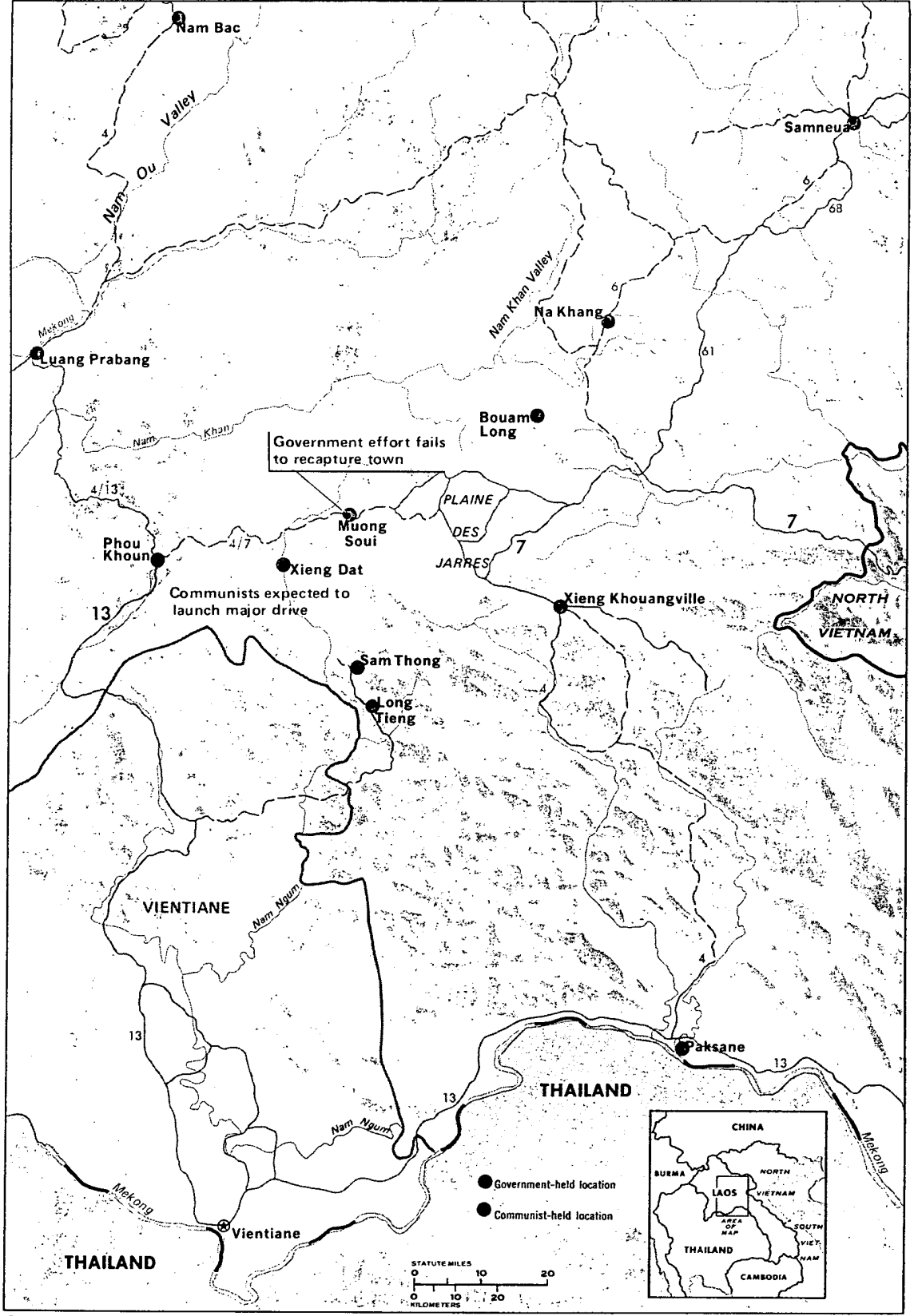
A politburo resolution of 8 July proclaims 1970 a year of historical significance. The year includes, among other benchmarks, Ho Chi Minh's 80th birthday. The resolution focuses on internal North Vietnamese problems and issues and gives only brief and back-handed references to the war in the South. Because of this, and the fanfare called for, the regime may well intend 1970 to be a major turning point possibly requiring significant policy decisions. If so Hanoi's leaders may well include among next year's activities the convocation of a national party congress for the first time in a decade.

South Vietnam: The month-long standdown in major Communist military actions continued on 15-16 July. Reports persist, however, that the enemy is planning another round of localized attacks beginning this weekend.

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LAOS: Current Situation



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Laos: Government leaders are badly shaken by the failure to recapture Muong Soui.

[redacted] that the Communists would soon launch a major drive into northern Vientiane Province via Routes 7 and 13. [redacted] also agreed that the shattered morale of the regular government troops would make futile any attempt to block such a thrust through military means. Vang Pao, who apparently is despondent over the turn of events, is deploying his forces to defend bases north and south of the Plaine des Jarres.

As a consequence of this dire assessment, [redacted] decided to ask that Prime Minister Souvanna, who is vacationing in France, bring additional pressure on the signators of the 1962 Geneva Accords to intercede with Hanoi, or to return home and possibly make an effort to see President Nixon in Bangkok.

There is no firm evidence that the Communists intend to press significantly beyond Muong Soui. There is little question, however, that they have the capability to do so and the virtual collapse of the government's resistance provides an opportunity that the enemy may be unwilling to pass up. [redacted]

(Map)

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Japan-USSR: Foreign Minister Aichi will visit Moscow in September en route to Washington for talks on Okinawan reversion.

Aichi is expected to take advantage of his invitation to Moscow to reiterate Japan's claim to the southern Kuril Islands. The Japanese Government [REDACTED] realizes that the Soviets will probably continue to avoid any discussion of this "Northern Territories" question, which Moscow has long claimed is a closed issue.

Tokyo expects that the Soviets may instead try to divert discussion to the possibility of further Japanese participation in the development of Siberian resources.

Tokyo's principal concern is to maintain good relations with the USSR. At the same time, the Sato government is attempting to cast itself as the principal defender of Japan's national interest; the opposition, including the Japan Communist Party, has been trying to exploit the Northern Territories issue.

Tokyo also views the issue as a useful bargaining tool in securing concessions from the Soviets on other matters, particularly trade relations. [REDACTED]

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[El Salvador - Honduras: Both countries have agreed to a cease-fire in principle, but difficulties over implementation could cause it to founder.

Members of the OAS Investigative Committee have been stationed in both capitals to facilitate continued negotiations. Fighting apparently has not stopped, and El Salvador could be stalling in order to overrun further territory. El Salvador has not yet agreed to withdraw its troops and may wish to use them as a bargaining counter to gain a guarantee of safety for the more than 250,000 Salvadorans who live in Honduras.

The credible performance of the Salvadoran armed forces appears to have restored government prestige. The Honduran Government, on the other hand, may now find itself under intense political pressure to salvage at the conference table what it lost on the battlefield. Inability to satisfy the demands of national pride could undermine the Lopez government.

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NOTES

Cuba: Fidel Castro has reiterated his adamant stand against resuming relations with the US. In a press interview on 14 July he said that an end to the economic denial program would not be enough to satisfy Cuba. The US would have to "give up forever the role of international policeman it has assumed in Asia, Latin America, and other places." Castro also repeated a statement he made earlier in the day that Latin American countries interested in resuming relations must make an "explicit and formal" denunciation of the "arbitrary and unjust" OAS sanctions against Cuba.

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(continued)

*Because of the shortage of time for preparation of this item, the analytic interpretation presented here has been produced by the Central Intelligence Agency without the participation of the Defense Intelligence Agency, Department of Defense.

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India: Deputy Prime Minister Morarji Desai resigned from the cabinet yesterday after Prime Minister Gandhi took over his key finance portfolio. Ostensibly Mrs. Gandhi's action was intended to make it easier for her to implement her controversial proposal to nationalize the country's major banks--a move strongly opposed by the more conservative Desai. It is more likely, however, that she forced Desai's resignation as a means of saving face in her struggle with the old guard Congress Party bosses over who should be the party's candidate in the presidential election. The prime minister virtually admitted her defeat on the presidential issue when she suddenly declared her unconditional support for the party bosses' nominee whom she had earlier bitterly opposed.

[REDACTED]

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